

Witness: Terry L. Schwennesen

Information Request DTE-NEP-1-1

Request:

Please provide a complete and detailed description of each of the terms of the agreement to transfer legal and regulatory liabilities associated with Seabrook Station ("Seabrook") to the buyer, providing citations to the purchase and sale agreement and related documents.

Response:

The Purchase and Sale Agreement ("PSA") provides that on and after the relevant closing date the buyer will assume, satisfy or perform all of the liabilities of the relevant sellers in respect of, or otherwise arising from the operation or use of the Acquired Assets (as defined in the PSA) other than certain specifically excluded liabilities. These liabilities to be assumed, satisfied or performed by the Buyer are described with particularity in Section 2.3 of the PSA. In addition, Section 5.7 of the PSA describes the obligations of the buyer with respect to plant personnel as of and after the closing.

Witness: Terry L. Schwennesen

Information Request DTE-NEP-1-2

Request:

Please provide a complete and detailed description of all legal and regulatory liabilities associated with Seabrook that will remain with the Company after the sale of the unit.

Response:

The Purchase and Sale Agreement (“PSA”) provides that the buyer shall not assume, satisfy or perform any of the liabilities listed in Section 2.4. Accordingly, the Company will be responsible for a pro rata portion of applicable liabilities listed in Section 2.4 in accordance with the Seabrook Joint Ownership Agreement. In addition, the Company has agreed to indemnify the buyer for a pro rata portion of certain Losses (as defined in the PSA), if any, incurred by the buyer to the extent set forth in Section 9.3 of the PSA, subject to the conditions and limitations set forth in Section 9 of the PSA.

Witness: Terry L. Schwennesen

Information Request DTE-NEP-1-5

Request:

Please provide a chart comparing the terms offered by each of the final bidders for Seabrook with the criteria that the Company believed were most important in selecting the winning bid.

Response:

CONFIDENTIAL MATERIALS ATTACHED

NEP's primary goal in the Seabrook divestiture process was to select a bid that provided NEP with the maximum value in order to maximize mitigation of stranded costs. Accordingly, the Company's main criteria for selecting the winning bid for Seabrook focused on financial considerations and the minimization of future liabilities regarding Seabrook.

Attached are three separate charts prepared by NEP that compare the bids received and evaluated by NEP: (1) NEP Independent Analysis, attached as DTE-NEP-1-5A, (2) Blue and Green Critical Issues, dated 3/28/02, attached as DTE-NEP-1-5B, (3) Overview of Seabrook Bidder Documents, dated 3/28/02, attached as DTE-NEP-1-5C. The attached documents contain information that are auction-related and bid-related and contain confidential and competitively sensitive information. Accordingly, NEP requests that these documents be protected from public disclosure, as detailed in NEP's June 24 Motion for a Protective Order, filed separately. In addition, the attached material is subject to the Non-Disclosure Agreement executed between the Attorney General and NEP relative to this proceeding.

Witness: Terry L. Schwennesen

Information Request DTE-NEP-1-10

Request:

Refer to Dabbar Testimony at 13, line 19. Please describe the “adjustment provisions by which the purchase price will be adjusted at the time of closing.” Also include estimates in dollar amounts indicating how much these provisions will be adjusted.

Response:

Please see Section 2.6 of the Purchase and Sale Agreement ("PSA") for a description of the purchase price adjustment provisions. An estimate of the dollar amounts for these items is provided in Attachment TLS-1, Page 2, on the line entitled "Estimated Purchase Price Adjustments." Please note that the majority of the potential purchase price adjustments have not been made at this time because they represent the difference between estimated/budgeted costs and actual costs that will not be known until the closing has taken place. It should further be noted that NEP's estimates in Attachment TLS-1 are merely representative of total costs that would ultimately be incurred. These estimates will be refined as we come closer to the closing date, in time for NEP's December 2002 CTC reconciliation report that will be filed with the Department and other parties to NEP's restructuring settlements.

Witness: Terry L. Schwennesen

Information Request DTE-NEP-1-16

Request:

Please provide a comprehensive comparison of liabilities that the Company currently has to the liabilities of the Company under the proposed purchase and sale agreement.

Response:

Pursuant to the Purchase and Sale Agreement (the "PSA"), after closing, NEP will be liable for a pro rata portion of the liabilities relating to Seabrook found in Section 2.4 of the PSA in accordance with the Seabrook Joint Ownership Agreement (see also NEP's response to Information Request DTE-NEP-1-2). NEP is currently liable for its pro rata share of future decommissioning costs of the facility, ongoing capital expenditures and the other liabilities listed in Section 2.3 of the PSA (see also NEP's response to Information Request DTE-NEP-1-1). Each of these liabilities will be assumed by the buyer after the closing of the sale of Seabrook.

Witness: Terry L. Schwennesen

Information Request DTE-NEP-1-18

Request:

Refer to Testimony of Terry L. Schwennesen (May 17, 2002) (“Schwennesen Testimony”) at 7. Please provide the rationale supporting NEP’s decision not to purchase power from Seabrook after the sale. In your response, please detail the projections, assumptions and estimates used in reaching this decision, as well provide as all related work papers and schedules.

Response:

The buyer’s winning bid included the most favorable financial terms for NEP, including no requirement for a power purchase agreement after the closing. In addition, the winning bid significantly diminishes cost risks to the Company associated with future operations and maintenance expenses, capital additions and decommissioning.

Attached is a **SUPPLEMENTAL CONFIDENTIAL RESPONSE** prepared by NEP that discusses the bids received and evaluated by NEP regarding a power purchase agreement. The discussion refers to the confidential Company analysis of the bids, submitted as Confidential Attachment DTE-NEP-1-5A, in response to DTE-NEP-1-5. The attached response and referenced document contain information that is auction-related and bid-related and contain confidential and competitively sensitive information. Accordingly, NEP requests that this response and referenced document be protected from public disclosure, as detailed in NEP’s June 24 Motion for a Protective Order, filed separately. In addition, the attached material is subject to the Non-Disclosure Agreement executed between the Attorney General and NEP relative to this proceeding.

Witness: Legal Department

Information Request DTE-NEP-1-19

Request:

Refer to Schwennesen Testimony at 8. Please describe the mechanism by which any excess decommissioning trust funds would be returned to Massachusetts customers.

Response:

Section 5.10(h) of the Purchase and Sale Agreement (“PSA”) addresses Customer Contributions to Decommissioning of the Facility. Specifically, Section 5.10(h) states:

When the Buyer or its successors have completed Decommissioning of the Facility..., (i) any remaining Decommissioning Funds determined by the NDFC to be New Hampshire customer contributions pursuant to RSA 162-F:21-b(II)(c), and (ii) any remaining Decommissioning Funds determined by the Governmental Authority having jurisdiction in Connecticut, Massachusetts and Rhode Island, as the case may be, to be customer contributions from the customers of such state under the applicable Law of such state, to the extent required by the applicable Law of such state, shall be paid by the Buyer in coordination with applicable Governmental Authority having jurisdiction in such state for the benefit of the customers of the relevant Seller or Sellers in such state.

Section 13 of the PSA defines Law as “all laws, rules, regulations, codes, injunctions, judgments, orders, decrees, rulings, interpretations, constitution, ordinance, common law, or treaty, of any Governmental Authority.” The section further defines Governmental Authority as “any federal, state, local or other governmental, regulatory or administrative agency, commission, department, board, or other governmental subdivision, court, tribunal, arbitral body or other governmental authority.”

Thus, Section 5.10(h)(ii) indicates that should a Governmental Authority having jurisdiction in Massachusetts determine that any remaining Decommissioning Funds are customer contributions from Massachusetts, under the Law of Massachusetts, any remaining funds, to the extent required by Law in Massachusetts, shall be paid by the Buyer, in coordination with the Governmental Authority in Massachusetts for the benefit of Massachusetts customers.

Witness: Terry L. Schwennesen

Information Request DTE-NEP-1-20

Request:

Refer to Schwennesen Testimony at 9. Please compare the proceeds received from the sale of NEP's interest in Seabrook with the book basis of the facilities sold.

Response:

Please see the attached comparison.

Witness: Terry L. Schwennesen and Tax Department

Information Request DTE-NEP-1-21

Request:

Refer to Schwennesen Testimony at 9. Please provide the tax gain or loss realized from the sale of Canal's [NEP's] interest in Seabrook.

Response:

NEP will have a tax gain of \$76 million realized from the sale of its interest in Seabrook.

Proceeds	92.2 (this is derived from \$93.5 as found in Attachment TLS-1, less transfer taxes and JPMorgan's commission)
Less: Decommissioning Top Off	<u>5.8</u>
Net Proceeds	86.4
Tax Basis of Assets	<u>10.4</u>
Tax Gain	76.0

Witness: Terry L. Schwennesen

Information Request DTE-NEP-1-22

Request:

Refer to Schwennesen Testimony at 9. Please explain why 100 percent of the net proceeds received from the sale of Seabrook will not be used to reduce customers' bills.

Response:

As referenced in the Schwennesen Testimony on page 10, ninety-eight percent (98%) represents the total amount that NEP's retail affiliates are contributing to NEP's total stranded costs. Under the provisions of the CTC formula approved by the Department and by FERC, the allocated stranded cost responsibility for NEP's retail affiliates, including Massachusetts Electric Company, was set at a percentage representing each retail affiliate's average contribution to NEP's total all-requirements revenues under the all-requirements tariff that NEP had in effect prior to restructuring (FERC Tariff No. 1). For example, NEP's CTC established that Mass. Electric would have cost responsibility for 72.6% of NEP's total stranded costs.

The remaining 2% is derived from NEP's non-affiliated Tariff No. 1 customers. Unlike the CTC provisions applying to NEP's affiliated customers, stranded cost recovery applying to these non-affiliated customers are not reconciled to actual and will be retained by NEP.

Witness: Terry L. Schwennesen

Information Request DTE-NEP-1-23

Request:

Refer to Schwennesen Testimony at 7. Will NEP transfer to FPLE Seabrook, at the time of sale, qualified and non-qualified nuclear decommissioning trust funds? If the response is affirmative, please provide the anticipated amount of the funds to be transferred.

Response:

NEP will transfer at the time of sale its qualified and non-qualified decommissioning trust funds. Below is an estimate of the fund balances at year end 2002 and an estimate of the required top-off.

Sellers NDFC Required Closing Amount	\$228,735,945
Sellers NDFC Required Closing Top-Off	\$58,713,952
NEP Required Closing Amount	\$25,815,139
NEP Estimated Balance at December 31, 2002	\$20,007,044
NEP Estimated Required Top-Off	\$5,808,095

Witness: Terry L. Schwennesen

Information Request DTE-NEP-1-24

Request:

Refer to Schwennesen Testimony at 9. Please describe NEP's responsibilities for future decommissioning costs after the sale of Seabrook to FPLE Seabrook. If this issue is covered in the purchase and sale agreement, please provide a reference to the relevant section in that document.

Response:

As part of the transaction, NEP will transfer all future liability for decommissioning costs to FPLE Seabrook. Specifically, Section 2.3(e) of the Purchase and Sale Agreement provides that FPLE Seabrook will assume "all liabilities in respect of (i) the decommissioning of the Facility, (ii) the management, storage, transportation and disposal of Spent Nuclear Fuel (including, without limitation, all fees payable to DOE under the DOE Standard Contracts accrued after the relevant Closing Date) and Low Level Waste, and (iii) any other decommissioning or post-operative disposition of the Facility or any other Acquired Assets."